

DEPARTMENT OF AGING

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**COPY**

September 12, 2008

Deirdre Terleski, Site Director
Multipurpose Senior Services Program
County of Kern
Kern County Aging and Adult Services
5357 Truxtun Avenue
Bakersfield, California 93309

Dear Ms. Terleski :

**FINAL NOTICE OF AUDIT DETERMINATION, MSSP #29
FISCAL PERIOD JULY 1, 2002 THROUGH JUNE 30, 2006**

Enclosed is the California Department of Aging (CDA) Final Notice of Audit Determination (NAD) for Kern County Aging and Adult Services (Agency), Multipurpose Senior Services Program (MSSP) for the above fiscal period.

The Final NAD reports our audit conclusions of the Agency's financial closeout reports (reported program expenditures), accounting records, internal controls, and compliance with grant requirements for MSSP. CDA Audit Branch identified \$93,516 in unearned grant revenue from CDA funds for the audit period (See Schedule A for a more detailed presentation). Unless there is an appeal filed by your Agency, this Final NAD will result in \$93,516 being returned to the State.

If you disagree with the findings/issues presented in this report, you may file a formal appeal by writing to Department of Health Services (DHS), Office of Administrative Hearings and Appeals, 1029 J Street, Ste. 200, Mail Stop 0017, Sacramento, California 95814. You may file a statement of disputed issues with DHS within 60 calendar days of receipt of the written notice of the audit or examination findings. Appeals of audit or examination findings are to be made in accordance with Title 22, California Administrative Code, Sections 51016-51047. We have enclosed a copy of the regulations governing provider audit appeals, Article 1.5 of Division 3, Title 22, California Code of Regulations, for your information.

Based on the recommended audit adjustments presented in the Final NAD and absence of an appeal, DHS will be in contact with your Agency regarding a return of funds or an offset to future MSSP funding.

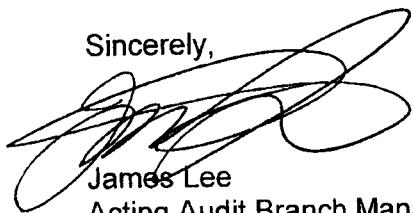


Deirdre Terleski, Site Director
Multipurpose Senior Services Program
September 12, 2008
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With respect to the Area Agency on Aging, a separate Final NAD report was or will be issued.

If you have any questions regarding the Draft NAD, please contact Gene Devaurs, Senior Auditor, at (916) 928-7914.

Sincerely,

A handwritten signature in black ink, appearing to be "James Lee", written over the printed name.

James Lee
Acting Audit Branch Manager

Enclosures

cc: Lynn Daucher, Director CDA
Paula Butler, Section Chief, MSSP Branch, CDA

**CALIFORNIA DEPARTMENT OF AGING
NOTICE OF AUDIT DETERMINATION**

ORGANIZATION: KERN COUNTY AGING AND ADULT SERVICES

FISCAL PERIOD: JULY 1, 2002 THROUGH JUNE 30, 2006

| | | |
|-----------------------------|------------|----------------------|
| CONTRACT/GRANT NOS.: | MS-0203-29 | SITE: 29 |
| | MS-0304-29 | PROGRAM: MSSP |
| | MS-0405-29 | |
| | MS-0506-29 | |

The California Department of Aging's (CDA) Audit Branch has completed the review of the audit reports issued by Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter, Accountancy Corporation for the above fiscal period. We conducted additional testing of records of Kern County Aging and Adult Services (Agency) to resolve grant contracts with CDA. The purpose of our review and the tests conducted was to determine if the Multipurpose Senior Services Program (MSSP):

- Developed annual "Final Accounting Reconciliation" financial closeout statements which fairly presented the financial operations of the program;
- Maintained adequate internal and administrative controls/procedures to ensure that administrative and case management expenses reported to the Medi-Cal program were accurate and allowable;
- Maintained adequate controls/procedures for the procurement and utilization of waived services to ensure that claims/billings for waived services billed to the Medi-Cal program were accurate and allowable; and
- Maintained adequate controls/procedures to ensure compliance to applicable laws, regulations and contract requirements.

REPORT ON FINANCIAL CLOSEOUTS

We reviewed the Agency's single audit reports issued by Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter, Accountancy Corporation for the aforementioned fiscal periods, and compared them to the Agency's Final Accounting Reconciliations submitted to CDA. We also compared the Final Accounting Reconciliations back to the Agency's accounting records as well.

Our audit effort identified differences between the Agency's expenses reported per its accounting records versus the Agency expenses reported per its financial close-out reports. These differences are noted as follows:

| <u>Fiscal Year (FY)</u> | <u>Revenue Received in Excess of Allowable MSSP Expenditures</u> |
|---|--|
| 2002/03 | \$ 31,500 |
| 2003/04 | \$ 13,648 |
| 2004/05 | \$ 10,161 |
| 2005/06 | <u>\$ 20,066</u> |
| Interest Earned | \$ 10,889 |
| Self-reported overpayment to Provider (Shield Health Care) | \$ 7,252 |
| Totals | <u>\$ 93,516</u> |

The total audit adjustment to grant-funded expenses for all fiscal years is \$ 93,516. Refer to Schedule A for further detail regarding the "revenue received in excess of allowable MSSP expenditures". Unless, additional documentation/information is provided prior to the report being finalized, this would result in a funding adjustment to the Agency. Further detail regarding payment back to the State, if necessary, will be discussed in the Final NAD.

REPORT ON INTERNAL CONTROL

The opinions on Internal Control Over Financial Reporting expressed in the single audit reports by the CPAs, who audited the general purpose financial statements of the Agency for the above fiscal period, did not include any reportable conditions or material internal control weaknesses related to the MSSP.

CDA Audit Branch conducted additional tests to determine that amounts reimbursed for administrative and case management expenses did not exceed actual allowable costs. Based on the single audit reports, our evaluation and testing, we conclude the Agency's MSSP internal and administrative control structure is adequate to ensure the billings to the Medi-Cal Program are accurate and consist of allowable costs.

However, one item that came to our attention involved a possible system problem where the MSSP costs being paid were not being accumulated in the system, as required. The MSSP supervisor indicated that this problem was not an ongoing issue and only represented a "system glitch" for our test sample. Additional follow-up efforts were being done by MSSP staff to ascertain the cause of the problem relative to our test sample. Once the cause of the problem was determined, MSSP staff was to notify us. To date, no notification had been received.

REPORT ON COMPLIANCE WITH GRANT REQUIREMENTS

The opinions on Internal Control Over Compliance expressed in the single audit reports by the CPAs, who audited the compliance of the Agency for the above fiscal period, did not report any instances of noncompliance with laws, regulations, or contract requirements related to the MSSP.

CDA Audit Branch conducted additional tests to determine if the Agency has procedures in place to ensure that waived services are authorized, not available as a referred service, received by the clients, and accurately billed to Medi-Cal. Based on the single audit reports, our evaluation, and testing, we conclude the Agency's procedures for the procurement and utilization of waived services are adequate.

This Draft NAD represents CDA Audit's resolution of the Agency's MSSP contract for the fiscal period July 1, 2002 through June 30, 2006. The review results, tests performed, and recommended actions for resolving audit findings were discussed with Agency management at the February 1, 2008 exit conference.



Gene Devaurs, CGFM, CFS
Senior Auditor

**Kern County Aging and Adult Services
FY 2002/03 through FY 2005/06
MSSP
Summary of Questioned Costs
Schedule A**

FY 2002/03

| | | |
|---|----|--------|
| Revenue Received in Excess of Allowable MSSP Expenditures | \$ | 31,500 |
| Total FY 2002/03 | \$ | 31,500 |

FY 2003/04

| | | |
|---|----|--------|
| Revenue Received in Excess of Allowable MSSP Expenditures | \$ | 13,648 |
| Total FY 2003/04 | \$ | 13,648 |

FY 2004/05

| | | |
|---|----|--------|
| Revenue Received in Excess of Allowable MSSP Expenditures | \$ | 10,161 |
| Total FY 2004/05 | \$ | 10,161 |

FY 2005/06

| | | |
|---|----|--------|
| Revenue Received in Excess of Allowable MSSP Expenditures | \$ | 20,066 |
| Total FY 2005/06 | \$ | 20,066 |

| | | |
|--|----|--------|
| Total Questioned Costs/Excess Revenue FY 2002/03 - FY 2005/06 | \$ | 75,375 |
|--|----|--------|

| | | |
|--|----|--------|
| Accumulated Interest Earned on Excess Revenue Received | \$ | 10,889 |
|--|----|--------|

| | | |
|-------------------------------------|----|-------|
| Overpayment to Shield Health Care * | \$ | 7,252 |
| | \$ | 7,252 |

| | | |
|--|----|---------------|
| GRAND TOTAL (Total due back to the State) | \$ | 93,516 |
|--|----|---------------|

* 2/1/08 phone exit conference 2:00pm; per Susan Spjut the Agency overpaid a subrecipient \$7,252.38 (Shield Health Care). The overpayments were over the period of January 2003 through July 2005 and were beyond the amounts self-reported on the MSSP closeouts.